

The City of Long Beach
MAYOR'S BUDGET ADVISORY COMMITTEE
2002-2003

Laurie Angel

3-Year Strategic Plan
Sub Committee

Jim Brophy

3-Year Strategic Plan
Sub Committee

Scott Dionne

Immediate Needs
Sub Committee

John Hancock *

3-Year Strategic Plan
Sub Committee

Bennett Long *

3-Year Strategic Plan
Sub Committee

Jane Netherton *

Immediate Needs
Sub Committee

Christine

Rodriguez-Lara

Immediate Needs
Sub Committee

Darick Simpson

Immediate Needs
Sub Committee

Greg Williams

Immediate Needs
Sub Committee

Thomas Wood *

3-Year Strategic Plan
Sub Committee

*1995-1997 Budget Advisory
Committee Members

January 28, 2003

The Honorable Beverly O'Neill
Mayor
City of Long Beach
333 West Ocean Boulevard, 14th Floor
Long Beach, CA 90802

Re: Preliminary Recommendations of the Budget Advisory Committee

Dear Mayor O'Neill,

Enclosed please find the preliminary draft recommendations of the Mayor's Budget Advisory Committee.

In September 2002, you convened the Mayor's Budget Advisory Committee to bring an independent perspective to the evaluation of the City's fiscal crisis. Specifically, you charged us to:

"With the City Manager, develop a comprehensive fiscal strategy that:

- 1. Will reduce costs for the proposed FY 2002-2003;*
- 2. Will outline cost-saving measures and long-term strategies that balance the budget without the use of the City's Emergency Reserves for FY 2003-2004 and beyond.*

Over the last four months, we have attended meetings and forums, met regularly with City staff, and reviewed volumes of information. The Committee's draft recommendations provide a first-step in providing an independent and external perspective to respond to the City's immediate and long-term financial challenges. We look forward to continuing our work in the coming months to identify both immediate and systemic strategies that will address the fiscal challenges facing our City.

Mayor Beverly O'Neill
January 28, 2003

Our committee thanks City staff and the Acting City Manager's office for their outstanding work and recommendations as set forth in the *Proposed Three-Year Financial Strategic Plan*. The Committee supports the thorough review of these proposals, for potential implementation in the next three years.

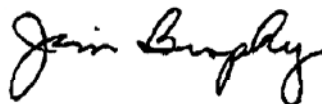
We look forward to continuing our work in the coming months to identify both immediate and systemic strategies that will address the fiscal challenges facing our City.

Thank you for the opportunity to be of service to our community during these unique times. The Budget Advisory Committee looks forward to finding additional areas where efficiencies can be realized.

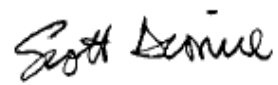
Respectfully submitted,



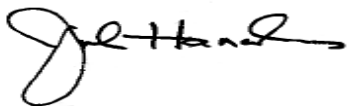
Laurie Angel



Jim Brophy



Scot Dionne



John Hancock *



Bennett Long *



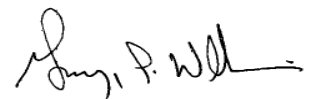
Jane Netherton *



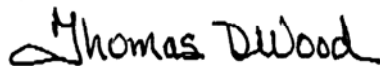
Christine Rodriguez-Lara

Signature not available

Darick Simpson



Greg Williams



Tom Wood *

* Original Budget Advisory Committee Member

Recommendations of the Immediate-Term Subcommittee

Enclosed please find the preliminary recommendations of the Immediate-Term Subcommittee of the Budget Advisory Committee.

Our committee unanimously thanks City staff and the Acting City Manager's office for their outstanding work and recommendations as set forth in the ***Proposed Three-Year Financial Strategic Plan***. The Immediate Term subcommittee supports the implementation of that document.

You will find some recommendations are the same or similar to those in the ***Proposed Three-Year Financial Strategic Plan***.

DISCLAIMER: These recommendations are limited to General Fund impacts except for personnel recommendations.

1. **Increase Cost Efficiency of Fire Department** - The Subcommittee strongly recommends that the LBFD immediately move toward the regionally accepted three-person fire crew per engine no later than 2004. We have been advised that a three-person crew would likely not negatively impact response time. Based on the success of the Los Angeles **County** Fire Department's use of three-person engines, we do not believe that safety of individual firefighters is at additional risk. The potential savings is projected to be between \$6-7 million per year. The Subcommittee is not desirous of recommending or advising the Fire Department on how to operate. The Subcommittee does ***strongly*** recommend an overall reduction in personnel costs of 8-10% over the next three years with a minimum 2% reduction in 2004.
2. **Contracting Out of City Services**- The Subcommittee strongly recommends that the city contract-out many more services to achieve additional savings. The City Staff Budget evaluation calls for a \$3.8 million savings over a three-year period. The committee recommends a target of \$6 to \$7 million over the next three years.
3. **Contract Contingencies**- The committee recommends that all contingencies in bid contracts be reduced from 25% to 5 - 10%, not to exceed one million dollars.
4. **Contracting In of City Services** - The Subcommittee recommends that City provided services identified as potential "cost centers" be pursued aggressively. This includes marketing of services to surrounding cities ***and*** private interests if not otherwise readily available in the community.
5. **Reduction of City's Contribution to CalPERS** - It is strongly recommended that the current "Employee" contribution paid by the City, of 8-9 % be incrementally transferred to the Employee over the next three years.

Recommendations of the Immediate-Term Subcommittee - *continued*

6. **Reduce the Use of Outside Consultants** - In-house expertise should be used in lieu of consultants. A minimum 10% reduction in consultant fee expenses should be implemented immediately.
7. **Capital Projects "Wish List"** - It is recommended that any capital improvement projects currently approved, but not implemented, for FY03 be reviewed. Those projects deemed not to be critical in nature should be deferred or cancelled.
8. **Use Tax Returned to the City** - Staff should continue to aggressively pursue the return of Use Tax to Long Beach by working with local large businesses to properly report to the City and the State Board of Equalization the use tax in order that it be properly allocated. The potential future benefit cannot be identified at this time, but could eventually run several million dollars annually.
9. **City Council Budgets** - It is recommended that all Council members operate their districts and staff under identical budget constraints. Given that each district has similar constituent numbers, budgets should mirror this as well. The individual Council District budgets should reflect the average amount of current budgets.
10. **Sale of Non-Performing Real Estate Assets** - The Subcommittee recommends that the city immediately examine all non-performing portfolio assets including vacant buildings and those properties currently burdened by long term leases at well below market rates.
11. **Scope of City Council Requests** - The Subcommittee recommends a thorough review of Section 208 of the City Charter, with a particular focus on the process by which individual council members are empowered to direct the City Staff. Requests for information and/or reports should be directed to the City Manager's Office upon a majority approval of the entire city council.
12. **Other Elected Officials** - The other elected/appointed city officials and their departments should participate in budget reduction process similar to the one conducted by the City Manager's office.
13. **City Department Consolidation** - The Civil Service and Human Resources Departments serve different purposes but conduct similar administrative activities. The City should consolidate these two departments while maintaining the integrity of the Civil Service system. Such a consolidation would require a Charter change.
14. **Cost Recovery** - An immediate review of all contracts with other agencies should be conducted to ensure the City is recovering the full costs of the service, including administrative and other overhead costs.

Recommendations of the Immediate-Term Subcommittee - *continued*

15. **Retirement Benefits-** Recently enacted employee pension augmentations significantly add to the City's severely constrained financial position. As a result, the subcommittee strongly recommends, at minimum, implementing a two-tiered retirement benefit whereas, new employees, including police and fire are hired at a lower cost tier. For public safety, make the current benefit of 3% at 50 one tier and implement a second tier at 3% at 55. It is understood that miscellaneous employees typically will have a longer, safer career than a public safety officer and should not enjoy the same benefit. For miscellaneous employees, make the current benefit of 2.7% at 55 one tier and implement a second tier at either a 2% at 55 (or 2% at 60). However, the maximum financial relief will be realized for the City if all miscellaneous employees are included in the same retirement benefit of 2% at 60 (with 2% at 55 as the alternative).
16. **General Administrative & Management** – We support the City Manager's recommendations, including the reduction in management and administrative staffing throughout the organization, the reorganization and consolidation of department responsibilities, and the overall reduction in various administrative costs.
17. **Work Furloughs / Job Sharing** – The City should immediately enact on a pilot basis a voluntary work furlough program, which allows city employees to take time off without pay with no negative impacts to other compensation benefits. The City should encourage Job Sharing as a way to provide the greatest level of work-schedule flexibility to employees while reducing cost.

Recommendations of the Three-Year Financial Strategic Plan Subcommittee

The problem of preparing a three-year (or sustaining) solution to the budgetary problems facing the City of Long Beach must include an examination of charter provisions, long-standing memos of understanding, union contracts and systems for budget development. It is the opinion of the Subcommittee that examination must be systemic and in depth.

It is the intention of the Subcommittee to examine and make recommendations in the following areas, which are not listed in the priority of their importance, and certainly are not all-inclusive, but rather, illustrative:

1. **Term Limits** - Review existing term limit laws with an eye towards extending the length of service or consider proposals to eliminate term limits altogether. Prudent long-term financial strategies are best developed by long-term public servants.
2. **Compliance with City Charter** - City Council management of the subordinates of the City Manager, whether publicly or privately, must be restricted (Section 208, Long Beach City Charter).
3. **Council Equality** - City Council District budgets, staffing, etc., must be evaluated to insure equanimity.
4. **Public Safety** - The entire area of public safety deserves particular attention inasmuch as it constitutes approximately two-thirds of General Fund expenditure. This, we believe, is due not only to need, but to thorough indoctrination of the public, on sometimes subjective data, and the inordinate support of those agencies' unions during political campaigns

The Fire Department must be subject to an immediate and thorough examination in this regard. Fire Department overtime, staffing levels (including administration), three-person versus four-person crews, employee classifications, number of stations, etc., are recommended for peer review by an external agency selected by the City Manager, Finance Director and the City Auditor.

5. **Arbitrator/Negotiator** - The Subcommittee considers mandatory the employment of a skilled outside negotiator for all employee salaries, pensions and benefits. Under the direction of the City Council, such a person or team would resolutely bargain as needed, conclude negotiations, and depart. While salaries and benefits must be sufficiently competitive to attract and maintain quality employees, a hard look at salaries, classifications, benefits, et al., for both employees and elected officials must be subject to careful scrutiny.

Recommendations of the Three-Year Financial Strategic Plan Subcommittee - continued

6. **Employee Pension Contributions** - Retirement pension expenses for all city employees, including management and sworn and non-sworn public safety personnel, must be reviewed without delay. Employees must bear the responsibility of the employee-share of any pension contribution.
7. **Consolidation** – Consolidation of several functional areas must be aggressively pursued. Immediately interview the Directors of Human Resource and Civil Service to determine overlapping functions and redundancies. Build consensus within both areas, with the objective to integrate them into one department
8. **Job Classification Review** - Perform periodic review of job classifications in order to reduce the number of classifications and broaden the duties each can perform. This action ensures flexibility in the utilization of personnel.
9. **Contracting Out** - Contracting out city services can provide substantial opportunities for the City to reduce the cost of public services. The subcommittee has identified two-dozen service areas that necessitate consideration for contracting out. These services certainly fall within the requirements of Proposition L.

As a general rule it is good business practice to periodically review operational efficiencies (employing standard Activity Based Costing techniques as proposed by GASB) and compare them with similar public and/or private entities to determine cost-effectiveness, productivity and the financial and operational viability for maintaining the operation in-house.

10. **Contracting In** – Contracting in services to the City from other governmental agencies is encouraged. All contracts must employ full cost recovery to the City of all direct and indirect costs, including benefits.
11. **Technology** - It can no longer be assumed that a more effective and efficient fiscal system can be achieved without the reduction of personnel. Technology must be employed to assist in streamlining the operation of the city with the goal to provide better service at a greatly reduced cost.
12. **Asset Sales** - There should be a thorough evaluation of property use. While the sale of City property can generate one-time income, such disposition must be considered against the potential for long-term use that generates continuing income. Ensure assets generate income with market-rate returns or equivalent benefit to the community.
13. **Consultants** - The expenditures for consultants are far too extravagant. We must establish policies and procedures that inhibit the reliance on costly consultants.

Recommendations of the Three-Year Financial Strategic Plan Subcommittee - continued

14. **Revenue Generation** - Every effort will be made to explore potential revenue-generating resources within the City.

The city's financial instability is due to a number of factors including a multi-year structural state budget deficit, which impacts City revenues, and fluctuating revenue sources that rely upon economic conditions at all levels of the economy, local to national.

Even with extensive reductions in expenditures, including salaries, wages, benefits and workforce, the cost of providing services to the public cannot be met effectively. Therefore, revenue enhancements with negligible impact to businesses and consumers are endorsed. These include a review of the fee structure of Utility Users Tax and property tax assessment districts to consistently fund improvements to sidewalks, streets, and alleys, etc.

15. **Business Development** - The City must aggressively pursue, develop, attract and retain business. Because positive results are so critical to the City's financial success, it is recommended to combine and fully coordinate efforts under one department. Active coordination must involve the existing business community.
16. **Debt** - Long-term debt should not be issued for short-term maintenance, such as street repairs, curb and sidewalk rehabilitation, etc. The Subcommittee resoundingly concurs with staff's recommendation, and on sound financial practice, not to incur additional debt unless a new source of funds can be identified.
17. **Commission/Agency Consolidation** - The Subcommittee vigorously opposes consolidating the Harbor Commission, Water Commission and Redevelopment Agency (RDA) under the direct control of the City Council. These commissions and agencies must maintain their independence, which provides for additional public review. It should be noted that the Water Commission was created by Charter Change on February 17, 1931, "To provide for an efficiently operating board and continuity of policy that was utterly impossible under city manager control." Reference: HISTORICAL SKETCH and ANNUAL REPORT – July 1, 1943 to June 30, 1944" Long Beach Water Department.
18. **Citizen Budget Oversight Permanence** - Establish a permanent **Citizen Budget Oversight Committee** with institutional memory to advise the Mayor and City Council on an ongoing basis.

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